

Changes to Production Simulation Analysis

Several changes have been made to the production simulation analysis underlying the development of the revenue requirement based on comments and new information received.

1. In response to new information provided by SDG&E, an additional bilateral contract was added that results in an increase to SDG&E's URG, and corresponding decrease in net short, of approximately 665 GWh in 2003. Also in response to new information provided by SDG&E, an additional 14 MW QF unit was added. This addition results in an increase to SDG&E's URG, and corresponding decrease in net short, of approximately 100 GWh in 2003. The total net impact to SDG&E URG in 2003 is an increase, and corresponding decrease to net short, of approximately 765 GWh.
2. In response to new information and clarifications provided by SCE, QF generation units and dispatch levels were altered. These alterations result in an increase in SCE's URG, and corresponding decrease in net short, of approximately 3,400 GWh in 2003. Also in response to new information and clarifications provided by SCE, the dispatch level of SCE's IOU-owned generation was altered, resulting in a decrease in SCE's URG, and corresponding increase in net short, of approximately 1,400 GWh in 2003. The total net impact to SCE URG in 2003 is an increase, and corresponding decrease to net short, of approximately 2,000 GWh.
3. Updates were made to assumed levels of new generation based on the most recent due diligence of the often changing plans for completing new plants. These updates result in a decrease of 2,946 MW of new in-state generation coming on line in 2003-2004 and a decrease of 2,730 MW of new out-of-state generation (in other areas of the WECC) coming on line in 2003-2004.
4. Based on additional due diligence by DWR, a modification was made to the generation dispatched from one specific long term contract that results in a decrease in DWR contract generation, and a corresponding increase, in residual net short in the remainder of 2002 of approximately 700 GWh. While this change does not occur during the revenue requirement period, it affects the expected starting fund balances in 2003 due to marginal changes in DWR's expected costs for the remainder of 2002 by replacing the improper contract dispatch costs with the cost of procuring approximately 700 GWh of additional residual net short energy. DWR estimates that this modification will result in approximately \$28 million more in 2002 energy costs than were identified in the June 14 Draft Determination of Revenue Requirements.